



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



FILE COPY

DARLENE GREEN
Comptroller

Internal Audit Section

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November 28, 2011

Honorable Darlene Green, Comptroller
Comptroller's Office
1200 Market Street, Room 212
St. Louis, MO 63103-2875

RE: Municipal Garage (Project #2012-02)

Dear Comptroller Green:

Enclosed is the Internal Audit Section's revenue review report of the Municipal Garage for the period March 1, 2011 through June 30, 2011. A description of the scope of the work is included in the report.

Fieldwork was completed on September 16, 2011. Management's responses to the observations and recommendations noted in the report were received on November 17, 2011, and have been incorporated in the report.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

If you have any questions, please contact the Internal Audit Section at (314) 657-3490.

Respectfully,

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: John Zakibe, Deputy Comptroller
Judy Armstrong, Executive Assistant



CITY OF ST. LOUIS

COMPTROLLER'S OFFICE - MUNICIPAL GARAGE

REVENUE REVIEW

MARCH 1, 2011 THROUGH JUNE 30, 2011

PROJECT # 2012-02

DATE ISSUED: NOVEMBER 28, 2011

**Prepared By:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
COMPTROLLER'S OFFICE - MUNICIPAL GARAGE
REVENUE REVIEW
MARCH 1, 2011 THROUGH JUNE 30, 2011**

EXECUTIVE SUMMARY

Purpose

The Municipal Garage (Garage) was selected for review based on the annual risk assessment. The purpose was to determine if the Garage's internal controls effectively and efficiently manages risks to ensure the following:

- Existence of adequate revenue policies and procedures that are applied on a consistent basis.
- Proper recording and timely reporting of all revenues.
- Reliability and integrity of financial information.
- Compliance with applicable laws, regulations, policies and procedures.

Scope and Methodology

The scope of the period of review included revenues collected for parking rents from March 1, 2011 through June 30, 2011. The review was confined to evaluating internal controls over the fiscal activities relating to the objectives noted above. The review procedures included:

- Inquiries of management and staff.
- Observations of relevant processes.
- Reviews for compliance with policies and procedures, as well as applicable laws and regulations.
- Limited tests of controls.
- Follow-ups on prior audit observations.
- Other procedures considered necessary.

Background

The Garage is responsible for loaning out City owned vehicles for official City business. It provides over 350 parking spaces to government employees. The rents for parking spaces are collected through payroll deductions, checks and cash.

Exit Conference

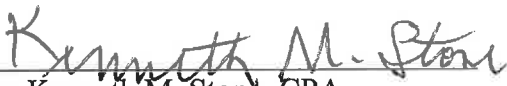
An exit conference was conducted at the Garage on November 10, 2011. The Garage was represented by the Executive Assistant. The Internal Audit Section was represented by an Auditor I and Auditor II.

Conclusion

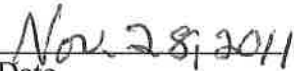
The Garage adequately addressed internal controls and risks relating to the objectives noted above, except for the following observations:

1. Opportunity to deposit parking receipts in accordance with the City Charter
2. Opportunity to establish a policy on parking exemptions
3. Opportunity to review and reconcile general ledger accounts

Each of these observations is discussed in more detail in *the Detailed Observations, Recommendations and Management's Responses* section of this report.



Dr. Kenneth M. Stone, CPA
Internal Audit Executive



Date

**CITY OF ST. LOUIS
COMPTROLLER'S OFFICE - MUNICIPAL GARAGE
REVENUE REVIEW
MARCH 1, 2011 THROUGH JUNE 30, 2011**

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OBSERVATIONS

Status of Prior Observations

There has been no recent revenue review performed on the Garage.

Summary of Current Observations

Several control procedures were noted in processing revenues. These included, but were not limited to, the following:

- Written policies and procedures exist.
- Payroll deduction to reduce handling of cash transactions.
- Periodic physical inspection to ensure vehicles are parked in assigned spaces.
- Pre-numbered receipts. The receipt numbers are submitted with deposits to the Treasurer for verification of cash transactions.

The opportunity exists for management to improve internal controls over the Garage's fiscal activities. The following are observations resulted from the review:

1. Opportunity to deposit parking receipts in accordance with the City Charter
2. Opportunity to established a policy on parking exemptions
3. Opportunity to review and reconcile general ledger accounts

**DETAILED OBSERVATIONS, RECOMMENDATIONS
AND MANAGEMENT'S RESPONSES**

1. Opportunity To Deposit Parking Receipts In Accordance With The City Charter

The Garage did not deposit checks and cash receipts daily in accordance with the City Charter. A sample of six receipts revealed that one receipt in March 2011 was deposited three business days late and three in June 2011 were deposited seven to twelve business days late.

Section 24, Article XV of the City Charter states that all monies belonging to the City received by an officer or agent thereof shall be deposited daily in the treasury division unless otherwise provided by law or ordinance. Failure to deposit receipts daily not only results in non-compliance with the City Charter, it also increases the risks for misappropriation or loss of funds. The Garage was not aware of the City Charter's requirement, but has agreed to make deposits accordingly.

Recommendation

It is recommended that the Garage deposit all checks and cash daily accordance with the Section 24, Article XV, of the City Charter.

Management's Response (Received on November 17, 2011)

All checks/cash received by 1:30 p.m. will be deposited in the Treasurer's Office on the same day. All checks/cash received after 1:30 p.m. will be placed in the safe and deposited on the next business day.

2. Opportunity To Establish A Policy On Exemptions

The Garage provides free parking spaces to judges and commissioners based on the authorization from the Comptroller's Office. A review of the current list of individuals exempted from the parking fee revealed that:

- Authorization for the exemptions was not documented. The Deputy Comptroller was unaware of this policy or the list.
- The list included seven judicial individuals; two of whom appeared to be no longer with the City, and one exemption was incorrectly listed.

Only individuals who are approved by the Comptroller's Office should be exempt from parking fees. It appears that a system of internal control is not in place to periodically review and update the list of individuals who are approved to park free.

As a result, approximately \$3,640 annually was not collected for seven parking spaces. The lack of management's policies and approval increases the risks that unauthorized individuals may be using exempt parking spaces.

2. Continued...

Recommendations

It is recommended that the Comptroller's Office establish a policy on parking exemptions. The policy should include a system of internal controls, which includes a periodic review and update of the list of exempt individuals to ensure only authorized individuals park free.

Management's Response

We will write a procedure for the policy manual where the Comptroller or a designee will approve all exempt parking spaces annually.

3. Opportunity To Review And Reconcile General Ledger Accounts

A review of the City's general ledger is not performed by the Garage. As a result, the Garage does not reconcile its internal records to the Rent Parking account (#4621120) of the City's general ledger, and therefore has little assurance that all deposits were properly recorded.

In addition, the review of the general ledger revealed:

- A revenue account (#4497050) unknown by the Garage was recorded under the Garage's cost center. The account represented receipts for Washington Square parking and Circle parking at City Hall.
- It was unknown if this account was periodically reviewed and reconciled since the deposits were processed by another section.
- Deposits were processed quarterly versus bi-weekly through payroll deductions.

All general ledger accounts should be reviewed and reconciled to ensure that the parking fees are processed timely, accurately and properly classified. The Garage was unaware that the parking revenues reported in the general ledger should be periodically reviewed and reconciled. Since the general ledger was not reviewed, the Garage was unaware that additional revenues were reported.

The lack of reconciliations increases the risks that errors are not detected and corrected. Total parking revenues reported in the #4477050 account were \$37,333, as of June 30, 2011. In addition, bi-weekly recording of these revenues would allow for a more efficient and economic use of City funds and consistent reporting.

Recommendation

It is recommended the Garage perform monthly reconciliations on all accounts listed under its general ledger cost center. It is also recommended that the Comptroller's Office

3. Continued...

consider implementing procedures, which would require bi-weekly processing of all payroll deduction receipts.

Management's Response

Now that we are aware of the revenue from Washington Square and the Circle at City Hall, we will take over this function from the Treasurer's Office and verify the monies received with our current payroll deductions. By taking over this function, funds will be deposited on a bi-weekly basis. Also, we will reconcile monthly all accounts listed under our general ledger cost center.